**NAME: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Section 9.6: Car Leases online**

* Go to [www.honda.com](http://www.honda.com) . At the top left of the page, click the Honda logo, “Honda Automobiles.”
* On the bottom left side of the page, you will see “Shopping Tools.” Under this, click on “Estimate Payments.”
* Select a type of Honda ***(new car only, 2011 models only)*** from the list. Then select a model and a type of transmission. Write the type of car you selected below:

Car: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Model: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Transmission: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

* Now select “I will place a down payment” and put in $1000. Then click somewhere on the screen below (so the payment numbers adjust).

1. Look at the numbers on the right side of the screen. Look under the picture of the car. What is the MSRP?
2. Look at the LEASE option for the car. Make sure it says 36 months (3 years), and 12,000 miles per year.
   1. What is the total due at lease signing?
   2. What is the monthly lease payment?
3. Change the term of the lease to 24 months (2 years).
   1. What is the total due at lease signing?
   2. What is the monthly lease payment?
   3. Did the payment increase or decrease?
4. Change the term of the lease to 60 months (5 years).
   1. What is the total due at lease signing?
   2. What is the monthly lease payment?
   3. Did the payment increase or decrease (compared to the original 36 month lease, in question #2)?
   4. How does the length of the lease affect the payment?

*The longer the lease, the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the payment*

1. Now look at the FINANCE option. Make sure the APR is 5% and the term is 60 months (5 years). What is the monthly finance payment?
2. Compare this to the monthly payment for leasing for 60 months (question #4b). How much more is it per month to BUY (finance)?
3. Now change the term to 36 months (3 years). What is the new monthly finance payment?
4. Compare this to the monthly payment for leasing for 36 months (question #2b). How much more is it per month to BUY (finance)?
5. Let’s find the total cost of the lease. Go back to 60 months for the lease. Use the formula from class, and find the total lease cost. SHOW WORK

*Total Lease cost = (# monthly payment) X (amount of monthly payment) + down payment + security deposit*

1. Now let’s find the total cost of financing the car (BUYING the car). Go back to 60 months, and 5% APR. Use the following formula to find the total financing (buying) cost. SHOW WORK

*Total Purchase Cost = (# monthly payment) X (amount of monthly payment) + down payment*

1. Now look back at the MSRP. Find out how much interest you are paying if you finance (BUY) the car. Take the Total Purchase Cost (from #11) and subtract the MSRP from it. This will be your total interest paid.
2. Compare your answers to #9 and #10 (leasing for 60 months and buying with payments for 60 months). How much of a difference is there between these two numbers (subtract)?

* Now go to [www.leasecompare.com](http://www.leasecompare.com) . In the center of the page you will see “Compare payments on cars.”
* Fill in your zip code, and then the same type of Honda that you were looking at before (look above to remind you of the specific one). Then hit “Get Quotes.”
* On the next page, go down to step 2. You will see a credit score (make sure this is at 800), and a down payment (put in $1000 for the down payment). Make sure the miles driven per year is 12,000.

1. Fill out the following:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **LEASE** | |  | **FINANCE** | |
|  |  | Residual | Payment |  | APR | Payment |
| **60 months** |  |  |  |  |  |  |
| **36 months** |  |  |  |  |  |  |

1. Now let’s see how a credit score can affect your car payment. Change the credit score to 675.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **LEASE** | |  | **FINANCE** | |
|  |  | Residual | Payment |  | APR | Payment |
| **60 months** |  |  |  |  |  |  |
| **36 months** |  |  |  |  |  |  |

1. What were the big changes when you changed your credit score? (compare answers in #13 and #14)
2. Keep the credit score where it is (675). Change the miles driven per year to 20,000. Fill out the chart again.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **LEASE** | |  | **FINANCE** | |
|  |  | Residual | Payment |  | APR | Payment |
| **60 months** |  |  |  |  |  |  |
| **36 months** |  |  |  |  |  |  |

1. What were the big changes when you changed your miles driven per year? (compare #14 and #16)
2. Put your miles driven back at 12,000 per year. Put your credit score at 725. Let’s figure out which is better: leasing or buying. For leasing, we are assuming that we will buy the car after the lease (using the residual value). We will use **60 month payments** for both. Use the following formulas to calculate each. SHOW WORK!

***Lease:*** TOTAL PAYMENT = (monthly payment) X 60 + residual =

***Finance:*** TOTAL PAYMENT = monthly payment x 60 =

1. Which one is more expensive? By how much?
2. At the top of the page, click on the “WHY LEASE?” tab. Write down at least 3 of the reasons why leasing is a GOOD idea (they are bulleted in the middle of the page).